

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY TEHRAN

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E.O. 11652: N/A

TAGS: BPRO

SUBJ: FCIA CREDIT INSURANCE REQUESTS FOR SALE OF AGRICULTURAL AND
CONSTRUCTION EQUIPMENT TO DIESEL AUTO PART S.A.

1. EXIMBANK HAS REQUESTS FOR CREDIT INSURANCE TO COVER \$12,500,000
SALE OF AGRICULTURAL AND CONSTRUCTION MACHINERY AND EQUIPMENT BY

FIAT-ALLIS CONSTRUCTION MACHINERY, INC., ALLIS-CHALMERS CORPORATION,
CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO,
EXPORT CREDIT CORPORATION AND HYSTER COMPANY TO DIESEL AUTO PART,
S.A., 247 ABASS ABAD AVE., TEHRAN. PRESENT EXIMBANK EXPOSURE IS
\$3,230,000 ON INSURANCE POLICIES AND BANK GUARANTEES. INDIRECT
CFF EXPOSURE IS \$4,648,600. TRANSACTIONS WILL BE GUARANTEED BY
MOHAMAD, ALI, HASSAN AND HOSSEIN FOULADI, JOINTLY AND SEVERALLY,
TEHRAN.

2. EXIMBANK EXPOSURE TO D.A.P. HAS INCREASED RAPIDLY SINCE D.A.P.'S
TAKEOVER OF FIAT-ALLIS DISTRIBUTORSHIP IN LATE 1972. D.A.P.

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PROPOSES PURCHASES OF \$21.4 MILLION FROM FIAT-ALLIS IN 1975, UP FROM

\$3.1 MILLION IN 1974. ACCORDING TO D.A.P. PORTION OF INCREASE REPRESENTS INCREASED MARKET SHARE AT EXPENSE OF CATERPILLAR. IN EMBASSY.S OPINION CAN D.A.P. AND IRAN ITSELF ABSORB EQUIPMENT IN AMOUNTS CONTEMPLATED?

3. WOULD APPRECIATE EMBASSY.S INQUIRING OF LOCAL BANKS (INCLUDING

BANK SADERAT) AS TO D.A.P.'S CREDITWORTHINESS AND FINANCIAL CONDITION.

4. AS OF 3-31-74 FOUR FOULAKI BROTHERS REPORTED COMBINED NET WORTH OF \$37.2 MILLION CONSISTING OF LAND, BUILDINGS AND INVESTMENTS. DOES THIS FIGURE APPEAR REASONABLE?

5. IN NOVEMBER 1974 EXIMBANK REQUESTED AUDITED FINANCIAL STATEMENT ON D.A.P. AS PREQUISITE FOR CONSIDERATION OF INCREASED EXPOSURE (ABOVE \$3.23 MILLION). D.A.P. PROVIDED 10-22-74 STATEMENT ADITED BY ITEM & CO., INDEPENDENT AUDITORS - OFFICIAL ACCOUNTANTS, NORTH KAKH AVE., NO. 73 #9, TEHRAN. ITEM & CO.'S LETTER TO D.A.. DOES NOT CONTAIN STANDARD AUDITING OPINION OR ANYTHING REMOTELY RESEMBLING SAME. CONTINENTAL ILLINOIS, MR. M. PISHVAIAN OF D.A.P. AND N.Y. OFFICE OF "BIG EIGHT" ACCOUNTING FIRM ALL REPORT NATIVE IRANIAN COMPANIES NORMALLY DO NOT RETAIN LOCAL INDEPENDENT AUDITORS MUCH LESS AMERICAN/BRITISH FIRMS, (WHO ONLY AUDIT LOCAL SUBS OF U.S./BRITISH COMPANIES). "BIG EIGHT" FIRM BELIEVES WE PROBABLY HAVE "STATUTORY AUDIT" WHEREIN AUDITOR MERELY COMPARES BALANCE SHEET WITH GENERAL LEDGER FIGURES. PISHVAIAN ALSO MENTIONED ADDITIONAL AUDIT BY GOVERNMENT TAX AUTHORITIES WHICH IS TO BE SUPPLIED. WE BELIEVE THIS WOULD BE ORE PERFUNCTORY THAN ITEM AUDIT. CAN EMBASSY, POSSIBLY AFTER CONSULTATION WITH LOCAL U.S./BRITISH ACCOUNTING FIRMS, CONFIRM NON-AVAILABILITY OF TRUE AUDITED STATEMENT ON IRANIAN COMPANIES GENERALLY AUDITING STANDARDS EMPLOYED BY ITEM & CO. AND BY LOCAL FIRMS IN GENERAL?

6. ADVISE WHETHER EMBASSY HAS ANY KNOWLEDGE OR COMMENTS REGARDING THIS SALE OR PERCEIVES POLITICAL OR OTHER REASONS EXIMBANK SHOULD NOT (REPEAT NOT) CONSIDER REQUESTS. KISSINGER
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